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No. 15-446

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

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QUESTIONS PRESENTED

In 2011, Congress created *inter partes* review, an administrative proceeding in the United States Patent and Trademark Office (PTO) in which members of the public can challenge the validity of issued patents and seek to obtain their cancellation. See 35 U.S.C. 311-319. The PTO was charged with prescribing regulations "establishing and governing inter partes review." 35 U.S.C. 316(a)(4). The questions presented are as follows:

1. Whether the PTO acted within its rulemaking authority in promulgating 37 C.F.R. 42.100(b), which, consistent with the agency's settled practice in other post-issuance proceedings, provides that patent claims shall be given their "broadest reasonable construction" during *inter partes* review proceedings.

2. Whether a party may challenge in the Federal Circuit the correctness of the PTO's decision whether to institute an *inter partes* review, despite Congress's directive in 35 U.S.C. 314(d) that such a determination "shall be final and nonappealable."

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OPINIONS BELOW

The amended opinion of the court of appeals (Pet. App. 1a-47a) is reported at 793 F.3d 1268. The decision of the Patent Trial and Appeal Board (Pet. App. 109a-167a) is reported at 108 U.S.P.Q.2d 1852.

JURISDICTION

The amended judgment of the court of appeals was entered on July 8, 2015, and a petition for rehearing was denied on the same day (Pet. App. 48a-49a). The petition for a writ of certiorari was filed on October 6, 2015. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. a. Congress has long provided for administrative mechanisms by which a third party may ask the United States Patent and Trademark Office (PTO) to

reconsider the validity of an issued patent. In 1980, Congress authorized ex parte reexaminations. See Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 (codified at 35 U.S.C. Ch. 30 (1982)). Congress specified that the PTO could grant a request for reexamination only if the request raised "a substantial new question of patentability." 35 U.S.C. 303(a), 304. From the outset, however, Congress insulated aspects of the administrative-reconsideration process from judicial review, specifying that a determination by the PTO "that no substantial new question of patentability has been raised will be final and nonappealable." 35 U.S.C. 303(c).

In 1999, Congress added an option for *inter partes* reexamination, which allowed a third party to request and participate in the proceeding before the PTO and, after 2002, in any subsequent appeal. See *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1332 (Fed. Cir. 2008); 35 U.S.C. 311-318 (2000). As with an ex parte reexamination, the PTO could institute an *inter partes* reexamination only when "a substantial new question of patentability" had been raised. 35 U.S.C. 312(a), 313 (2000). Congress again barred appeals of aspects of the PTO's decision to institute a reexamination, specifying that any determination regarding the existence of a "substantial new question of patentability" would be "final and non-appealable." 35 U.S.C. 312(a) and (c) (2000).

b. In the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), Congress substantially expanded the procedures by which the PTO could reconsider the validity of issued patents. Congress thereby sought to provide "a meaningful opportunity to improve patent quality and restore

confidence in the presumption of validity that comes with issued patents in court." H.R. Rep. No. 98 Pt. 1, 112th Cong., 1st. Sess. 48 (2011) (*House Report*). The AIA replaced *inter partes* reexamination with *inter partes* review, which is an adversarial proceeding conducted before the new Patent Trial and Appeal Board (Board). See 35 U.S.C. 311. The AIA also changed the threshold showing necessary for the PTO to institute such a proceeding; made all patents subject to *inter partes* review, regardless of when they were issued; broadened the estoppel provisions to which petitioning parties would be subject; imposed strict timelines for completion of the review; and permitted judicial review only of the Board's final decision about patentability. See *House Report* 46-47; Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539, 598 (2012).

The AIA also established an entirely new procedure: "post-grant review." A petition for such review must be filed within nine months after a patent is issued, 35 U.S.C. 321(c), but "[u]nlike reexamination proceedings, * * * the post-grant review proceeding permits a challenge on any ground related to invalidity under [35 U.S.C.] 282." *House Report* 47; see 35 U.S.C. 321(b).

In an uncodified provision of the AIA, Congress created a special "transitional post-grant review proceeding for review of the validity of covered business method patents." AIA § 18(a)(1), 125 Stat. 329. Although that covered-business-method procedure is to "be regarded as, and shall employ the standards and procedures of, a post-grant review," *ibid.*, the PTO may institute a post-grant review of any covered-

business-method patent at any time during the term of the patent (*i.e.*, without regard to the nine-month window that would otherwise apply to post-grant review proceedings). See *id.* § 18(a)(1)(A), (E), (d), 125 Stat. 329-331. The AIA provided that the transitional post-grant review program for covered-business-method patents would expire after eight years. See *id.* § 18(a)(3)(A), 125 Stat. 330.

With respect to both *inter partes* and post-grant review proceedings, Congress has authorized an appeal to the Federal Circuit from the Board's final written decision about patentability. See 35 U.S.C. 318(a), 319, 328(a), 329. Congress has specified, however, that the PTO's threshold decision whether to institute an *inter partes* or post-grant review is "final and nonappealable." 35 U.S.C. 314(d), 324(e).

c. Congress authorized the PTO to promulgate rules to implement the AIA's new administrative-review schemes. See generally 35 U.S.C. 316(a), 326(a); AIA § 18(a)(1) and (d)(2), 125 Stat. 329, 331. As relevant here, the PTO may "prescribe regulations * * * establishing and governing" *inter partes* and post-grant review proceedings as well as specifying "the relationship of such review to other proceedings under this title." 35 U.S.C. 316(a)(4), 326(a)(4). The agency is similarly authorized to issue regulations establishing the transitional program for covered-business-method patents. AIA § 18(a)(1), 125 Stat. 329.

Pursuant to those grants of rulemaking authority, the PTO has promulgated regulations governing *inter partes* reviews, post-grant reviews, and transitional covered-business-method-patent proceedings, along with general rules of practice before the Board. See

generally 37 C.F.R. Pt. 42. Those rules delegate to the Board the Director's authority to determine whether to institute particular proceedings. See 37 C.F.R. 42.108, 42.208, 42.300(a); see also 37 C.F.R. 42.4. As relevant here, they also provide that, consistent with longstanding agency practice, "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. 42.100(b), 42.200(b), 42.300(b).

2. Petitioner owns U.S. Patent No. 6,778,074 (the '074 patent), which discloses an interface for displaying a vehicle's speed and the speed limit associated with its location. Pet. App. 1a-2a. Garmin International, Inc. and Garmin USA, Inc. petitioned for *inter partes* review of various claims in the '074 patent. *Id.* at 169a. The Board partially granted the petition, instituting *inter partes* review of three claims. *Id.* at 168a-198a.

After instituting the *inter partes* review, the Board conducted a full trial proceeding in accordance with its rules. See generally 37 C.F.R. 42.120-42.123. At the close of that proceeding, the Board issued its final written decision, Pet. App. 109a-167a, in which it gave the claims at issue their broadest reasonable construction in light of the patent's specification, *id.* at 117a. The Board concluded that, so construed, the claims were obvious over the prior art. *Id.* at 163a. Accordingly, the Board's final decision ordered that the three claims be cancelled. *Id.* at 2a, 166a.

3. As permitted by 35 U.S.C. 319, petitioner appealed the Board's decision to the Federal Circuit, which affirmed. Pet. App. 1a-30a.

The court of appeals rejected petitioner's attempt to challenge the Board's decision to institute *inter partes* review. Pet. App. 5a-11a. The court explained that an *inter partes* review proceeds in two phases: "In the first phase, the PTO determines whether to institute [*inter partes* review]. In the second phase, the Board conducts the [review] proceeding and issues a final decision" with respect to patentability. *Id.* at 5a; see 35 U.S.C. 318(a). Petitioner challenged the Board's decision to institute a review with respect to two claims of the '074 patent. The court concluded that 35 U.S.C. 314(d), which makes the PTO's decision whether to institute *inter partes* review "final and nonappealable," bars judicial review of the first phase of the Board's decision "even after a final decision," because the plain language of the statute bars all appeals, not just interlocutory ones. Pet. App. 7a. The court further explained that other Patent Act provisions (specifically, 35 U.S.C. 141(c) and 319) "already limit appeals to appeals from final decisions." Pet. App. 7a. The court inferred that, "[b]ecause § 314(d) is unnecessary to limit interlocutory appeals, it must be read to bar review of all institution decisions, even after the Board issues a final decision." *Ibid.*[1]

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[1] The court of appeals left open the question whether the PTO's decision to institute a review proceeding could be "reviewable by mandamus after the Board issues a final decision" when the "PTO has clearly and indisputably exceeded its authority." Pet. App. 9a-10a. The court concluded that, even if mandamus review could be available under those circumstances, petitioner was not entitled to mandamus relief because "there is no clear and indisputable right that precludes institution of the [*inter partes* review] proceeding" in this case. *Id.* at 11a.

The court of appeals then held that, in promulgating 37 C.F.R. 42.100(b), the PTO had reasonably required patent claims to be given their "broadest reasonable construction" in an *inter partes* review. Pet. App. 11a-21a. The court noted that the materially identical "broadest reasonable interpretation standard has been applied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings," including proceedings that involve the PTO's review of issued patents. *Id.* at 13a-14a. The court concluded that Congress intended to permit the PTO to use that familiar standard in the new post-issuance proceedings established by the AIA. *Id.* at 15a-18a. The court further held that, even if Congress itself had not implicitly endorsed the broadest-reasonable-construction rule, the rule was a valid exercise of the rulemaking authority that Congress had granted to the PTO in 35 U.S.C. 316. See Pet. App. 18a-21a.

Judge Newman dissented. Pet. App. 30a-47a. In her view, the PTO's use of the broadest reasonable construction of patent claims is inconsistent with Congress's expectation that *inter partes* review would be a surrogate for district-court litigation, in which a different standard would be applied. *Id.* at 32a-45a. She also would have held that Section 314(d) prevents only "interlocutory delay and harassing filings," and therefore does not "preclude judicial review of whether" the PTO correctly applied statutory criteria when determining whether to institute an *inter partes* review. *Id.* at 46a.

4. The court of appeals denied rehearing en banc. Pet. App. 48a-49a. Judge Dyk, joined by three judges, concurred in the denial of rehearing. He explained that, "[i]n the absence of evidence of congressional

intent to abrogate the broadest reasonable interpretation standard," the court "should not act to adopt a different standard based on our own notions of appropriate public policy." *Id.* at 52a.

Five judges jointly dissented from the denial of rehearing en banc, asserting that the statute is silent about the claim-construction rule that Congress intended the PTO to use in *inter partes* review proceedings. Pet. App. 52a-54a. In light of Congress's failure to address the question explicitly, and the adjudicative nature of *inter partes* review proceedings, the dissenters found it "unclear * * * why the district court standard [of claim construction] should not apply." *Id.* at 54a-57a. Despite Congress's grant of authority to the PTO to issue regulations "establishing and governing inter partes review," 35 U.S.C. 316(a)(4), the dissenting judges found it "far from clear * * * that this is a case in which we must defer to the PTO's action." Pet. App. 59a. The dissenters also would have found the agency's regulation unreasonable even if a deferential standard of review applied. They would have held that, because *inter partes* review involves "an already issued claim," disputed claim language should be construed "as in district court litigation." *Id.* at 60a-61a.

Judge Newman filed a separate dissent from the denial of rehearing en banc. She reiterated her view that, in "post-issuance review," the PTO should "apply the claim construction that is applied by the courts" rather than the broadest reasonable construction. Pet. App. 61a.

ARGUMENT

1. Petitioner contends (Pet. 23-28) that the Federal Circuit erred in sustaining the validity of the PTO's

regulation providing that patent claims are to be given their broadest reasonable construction during *inter partes* review. That argument lacks merit. The PTO's regulation is consistent with the agency's longstanding practice, including in other post-issuance administrative proceedings. The Federal Circuit correctly held that the agency, in adopting 37 C.F.R. 42.100(b), had acted within its authority and in a manner consistent with Congress's intent. Petitioner's contrary arguments are properly addressed to Congress, which has recently considered, but not enacted, legislation that would adopt petitioner's preferred approach.

a. Although the Patent Act is silent about the appropriate methodology for claim construction in *inter partes* review proceedings, Congress has granted the PTO broad authority to "prescribe regulations * * * establishing and governing inter partes review." 35 U.S.C. 316(a)(4). Pursuant to that grant of rulemaking power, and following notice and comment, the PTO promulgated a regulation specifying that, in *inter partes* review proceedings, "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. 42.100(b). Such a regulation is "binding in the courts unless procedurally defective, arbitrary or capricious in substance, or manifestly contrary to the statute." *United States* v. *Mead Corp.*, 533 U.S. 218, 227 (2001). The PTO acted well within its discretion in adopting Section 42.100(b).

The PTO and its predecessors have long used the broadest-reasonable-construction standard (sometimes also described as the broadest-reasonable-interpretation standard) when construing unexpired patents. The standard has been used not only in the

process of examining patent applications, but in various kinds of post-issuance proceedings for reconsidering previously granted patents. That standard has been approved by federal courts in various contexts for nearly a century. See, *e.g.*, *Leo Pharm. Prods., Ltd.* v. *Rea*, 726 F.3d 1346, 1352 (Fed. Cir. 2013) (*inter partes* reexamination); *In re Yamamoto*, 740 F.2d 1569, 1571-1572 (Fed. Cir. 1984) (ex parte reexamination); *In re Prater*, 415 F.2d 1393, 1404-1405 (C.C.P.A. 1969) (initial examination); *In re Carr*, 297 F 542, 543-544 (D.C. Cir. 1924) (same). As the D.C. Circuit explained more than 90 years ago, the standard appropriately differs from the one employed by courts because courts seek to preserve the validity of a patent "if possible," but, before a patent has issued, "there is no reason * * * why an applicant * * * should not draw his claims to cover his actual invention only." *Carr*, 297 F at 543-544.

Using the broadest reasonable construction of patent claims promotes that outcome. Because the agency may reject as unpatentable any claims that could reasonably be read to encompass the prior art or obvious variants thereof, inventors are encouraged to avoid that result by amending their claims in agency proceedings to track more precisely what they have actually invented. The standard promotes clarity and precision in claim drafting by ensuring that patent claims under scrutiny before the agency comply with statutory requirements even when they are given their broadest reasonable construction.

The same policy rationales that have long justified application of the broadest-reasonable-interpretation standard in initial examinations of patent applications also apply to post-issuance review proceedings under

the AIA. Unlike in district-court litigation, where a patent is presumed to be valid and the language in its claims is fixed and unalterable, patent claims can still be amended or replaced during PTO administrative proceedings, in which there is no presumption of validity.[2]

Thus, if a patentee discovers in an *inter partes* review proceeding that the language of his patent can be read more broadly than he intended, the statute permits him to submit a motion that "propose[s] a reasonable number of substitute claims" for each challenged claim. 35 U.S.C. 316(d)(1)(B); see 35 U.S.C. 316(a)(9). As in the initial examination process—a setting in which petitioner does not contest the propriety of the broadest-reasonable-interpretation approach, see Pet. 23-25—a patentee in the *inter partes* review process retains "the ability to correct errors in claim language and adjust the scope of claim protection as needed," an "opportunity * * * not available in an infringement action in district court." *Yamamoto*, 740 F.2d at 1572. Such considerations led the Federal Circuit to reject a similar challenge to use of the broadest-reasonable-interpretation standard in reex-

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[2] In district-court patent-infringement litigation, there is a statutory presumption that an issued patent is valid. See 35 U.S.C. 282. That presumption, however, does not apply in agency proceedings. See 35 U.S.C. 316(e) (in *inter partes* review proceedings, unpatentability need be proved only by preponderance of the evidence); *In re Etter*, 756 F.2d 852, 858 (Fed. Cir.) (en banc) (holding that "§ 282 has no application in reexamination proceedings"), cert. denied, 474 U.S. 828 (1985); cf. AIPLA Amicus Br. 7-10. Where the presumption of validity is inapplicable, there is less reason to permit a patent holder to retain claims whose language can reasonably be interpreted to encompass material that renders them invalid.

amination proceedings more than three decades ago. See *id.* at 1571-1572.

b. Petitioner seeks to distinguish *inter partes* review proceedings on the ground that they are more adversarial than other types of administrative proceedings. Pet. 26-27; see also Intellectual Prop. Law Ass'n of Chicago Amicus Br. 4-5. But the PTO has consistently, and with court approval, applied its broadest-reasonable-construction standard in *inter partes*, as well as ex parte, proceedings. See, *e.g.*, *Tempo Lighting, Inc.* v. *Tivoli, LLC*, 742 F.3d 973, 977 (Fed. Cir. 2014); *Leo Pharm. Prods.*, 726 F.3d at 1352.

In any event, the standard's applicability does not turn on whether a proceeding is adversarial, but on whether the language of the patent claim is still subject to amendment. The standard serves the same important functions in the post-issuance review context that it does in other PTO proceedings, and for the same fundamental reasons: because the statute contemplates the possibility of claim amendments to clarify the scope of the patent owner's exclusive rights, and because encouraging additional clarity is in the public interest. See *Yamamoto*, 740 F.2d at 1572 ("An applicant's ability to amend his claims to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents.").

Petitioner further contends (Pet. 25) that other PTO proceedings offer a more "liberal right to amend" than the one available to a patentee participating in *inter partes* review. It is hardly surprising, however, that a post-issuance review scheme places limits on a patent holder's ability to amend his claims, since the patent owner has already enjoyed one full

opportunity during the initial examination to refine his claims into patentable form. Unlike in district-court litigation, a patent owner in an *inter partes* review proceeding may still "propose a reasonable number of substitute claims" responsive to the agency's concerns, 35 U.S.C. 316(d)(1)(B), and thereby clarify the intended scope of his asserted patent rights.

Petitioner relies (Pet. 25) on the interpretive methodology that the PTO uses in "reexamination proceedings involving claims of expired patents," in which the agency applies the same rule of claim construction as do the courts. Far from supporting petitioner's argument here, however, the PTO's practice with respect to expired patents underscores the fact that the agency *does* take account of the possibility of claim amendments when deciding whether the broadest-reasonable-construction method should be used. The PTO applies the judicial rule of claim construction to expired patents because such patents are no longer subject to *any* amendment (not, as petitioner suggests, because "the patentee lacks the liberal right to amend at its own discretion," Pet. 25). See PTO, *Manual of Patent Examining Procedure* § 2258 I.G, at 2200-100 (9th ed. Oct. 2015) (explaining that the courts' standard applies "[i]n a reexamination proceeding involving claims of an expired patent * * * since the expired claim[s] are not subject to amendment").

In determining that the broadest-reasonable-construction method should be used in this setting, the PTO did not ignore the fact that the opportunity to amend contested claims is more limited during *inter partes* review than during the initial examination. It

simply concluded that, for this procedural purpose, *inter partes* review is more closely analogous to initial examination (where petitioner does not dispute the propriety of the broadest-reasonable-construction rule, see Pet. 23-25) than to district-court litigation (where no amendment of contested claims is permitted). That is precisely the sort of expert judgment that warrants judicial deference, particularly given Congress's express grant of authority to promulgate agency rules governing *inter partes* review.[3]

Petitioner also fails to reconcile its arguments with the PTO's power to combine an *inter partes* review proceeding with other forms of post-issuance proceedings in which it is uncontested that the PTO may properly use the broadest-reasonable-construction standard. The agency often has multiple pending proceedings concerning the same patent—for example, an ex parte reexamination, a request for reissue, and an *inter partes* review—and Congress has authorized the PTO to create a single consolidated proceeding in such circumstances. See 35 U.S.C. 315(d). Congress has also directed the agency, when formu-

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[3] As petitioner's amici explain, Congress has authorized the PTO to consider during *inter partes* review a variety of evidence that is not normally available to the agency during initial examination (such as the patent owner's own arguments in prior district court or PTO proceedings). See 3M Amicus Br. 14 (citing 35 U.S.C. 301(a)(2) and (d), 325(d)); PhRMA Amicus Br. 13 (similar). That fact does not cast doubt on the agency's decision to use the broadest-reasonable-construction method in *inter partes* reviews. Such reviews differ in significant respects from *both* initial examinations *and* district-court infringement suits. The PTO reasonably determined, however, that for this procedural purpose, *inter partes* review of an unexpired patent is more closely analogous to initial examination than to infringement litigation.

lating rules for the new post-issuance review schemes, to consider the "efficient administration of the [PTO], and the ability of the [PTO] to timely complete proceedings instituted under this chapter." 35 U.S.C. 316(b), 326(b).

Reexaminations and proceedings for reissuance have for decades been conducted according to the broadest-reasonable-construction standard. In adopting the regulation at issue here, the PTO explained that using the same interpretive method in the new *inter partes* review proceedings would mitigate the "inefficiencies" that would arise if the agency were required to apply different claim-construction standards simultaneously to the same patent, noting that "[i]t would be anomalous for the Board to have to apply two different standards in the merged proceeding." 77 Fed. Reg. 48,698 (Aug. 14, 2012). The court of appeals likewise recognized that "[t]he possibility of consolidating multiple types of proceedings suggests a single claim construction standard across proceedings is appropriate." Pet. App. 20a. Petitioner offers no response to that rationale.

c. Petitioner asserts that Section 42.100(b) exceeds the PTO's rulemaking authority because the agency purportedly "lacks the power * * * to prescribe substantive rules." Pet. 27-28; see Pet. App. 59a (joint dissent from denial of rehearing en banc); 3M Amicus Br. 16-17. But nothing in the AIA's delegation of rulemaking authority limits the agency to "procedural" rules. Congress broadly authorized the agency to prescribe regulations "establishing" and "governing" *inter partes* review, as well as defining the "relationship of such review to other proceedings under this title." 35 U.S.C. 316(a)(4). Petitioner identifies no per-

suasive reason to conclude that Section 42.100(b) falls outside those capacious grants of rulemaking power.

Even if Section 316 authorized only procedural rules, the broadest-reasonable-construction standard would be "procedural" in the sense in which the Federal Circuit has previously discussed the PTO's general rulemaking authority under 35 U.S.C. 2(b). See *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1335-1337 (Fed. Cir. 2008) (holding that a PTO rule interpreting the phrase "original application" in the *inter partes* reexamination statute was entitled to *Chevron* deference). The standard reflected in Section 42.100(b) does not prescribe what is patentable and what is not; it prescribes a procedure for the Board to employ in applying the Patent Act's requirements to the claims before it. It is simply "an examination expedient." *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009). As the PTO explained, moreover, using the broadest-reasonable-construction standard in post-issuance review proceedings did "not change any substantive rights relative to the current practice," because the agency has long applied the same standard in initial examinations and reexaminations. 77 Fed. Reg. at 48,697.

d. This Court's review of the PTO's claim-construction regulation would be particularly unwarranted in light of Congress's own awareness of and recent attention to these issues. As Judge Dyk explained in his opinion concurring in the denial of rehearing en banc, "[i]f the [claim-construction] standard is to be changed, that is a matter for Congress." Pet. App. 52a. Indeed, as he noted, "[t]here are pending bills which would do just that." *Id.* at 52a & n.1 (citing bills that would specify a claim-construction standard for use in AIA post-issuance proceedings).

Petitioner asserts (Pet. 33) that "those bills are not close to enactment." But their very existence demonstrates that Congress can, if it chooses, implement a different claim-construction standard than has ever been used in an administrative proceeding to determine the validity of an unexpired patent. That such a policy shift may not proceed through the Legislature with the speed petitioner desires—or may not ultimately pass—is no reason for this Court to effectuate that change unilaterally.[4]

2. Petitioner contends (Pet. 28-32) that the court of appeals erred in refusing to entertain its challenge to the validity of the PTO's initial decision to institute the *inter partes* review proceeding in this case. That contention lacks merit and does not warrant the Court's review.

a. The court of appeals correctly held that 35 U.S.C. 314(d) means what it says: the PTO's decision "whether to institute an inter partes review * * * shall be final and nonappealable." Despite that clear

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[4] In her dissent from the denial of rehearing en banc, Judge Newman suggested that the PTO's rule "has no defender other than a majority of the Federal Circuit court." Pet. App. 61a (invoking amicus curiae briefing opposing rule). In fact, the broadest-reasonable-construction rule was defended by many amici in *Versata Development Group, Inc.* v. *SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015), a case that was calendared before, but ultimately argued after, this case. See Amicus Br. of Dell Inc., Ebay Inc., Facebook, Inc., Google Inc., Limelight Networks Inc., Newegg Inc., QVC, Inc., Rackspace Hosting, Inc., Red Hat, Inc., SAS Institute Inc., Vizio, Inc., and Xilinx, Inc., 2014 WL 2069516, *Versata*, *supra*, No. 2014-1194 (Fed. Cir.); Amicus Br. of Intel Corp., ASUSTeK Computer Inc., Broadcom Corp., Hewlett-Packard Co., HTC Corp., and ZTE (USA), Inc., 2014 WL 2069517, *Versata*, *supra*.

and uncaveated language, petitioner contends (Pet. 30) that the statute must be read to render the agency's decision final and nonappealable only "*at the time it is made*"—that is, to bar only interlocutory appeals of the agency's decision to begin the *inter partes* review process. By its plain terms, however, Section 314(d) does not merely defer appeals of institution decisions until the end of the administrative proceedings; it bars such challenges entirely. See Pet. App. 7a (explaining that Section 314(d) "is not directed to precluding review only before a final decision," but rather serves "to exclude all review of the decision whether to institute review").

Under petitioner's reading, moreover, Section 314(d) would impose no practical limit on judicial review that is not separately imposed by other provisions of the AIA. Those other AIA provisions limit the Federal Circuit's review to appeals from final decisions with respect to patentability. 35 U.S.C. 141(c), 318(a), 319. Because Section 314(d) is "unnecessary to limit interlocutory appeals," the Federal Circuit correctly explained that it "must be read to bar review of all institution decisions, even after the Board issues a final decision." Pet. App. 7a. If Congress had simply wished to defer review of the institution decision until the Board had issued a final decision, Section 314(d) would have been unnecessary, because background principles of administrative law would already have required that result. See generally 5 U.S.C. 704; *FTC* v. *Standard Oil Co. of Cal.*, 449 U.S. 232, 239-243 (1980).[5]

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[5] The Federal Circuit's interpretation of Section 314(d) is consistent with that court's longstanding precedent. Even before Congress enacted a broader no-appeal bar to cover decisions

b. Petitioner contends in the alternative (Pet. 31) that, even if Section 314(d) has some effect beyond barring interlocutory appeals, it should be read as precluding only challenges to the Board's determination, pursuant to 35 U.S.C. 314(a), that the party seeking *inter partes* review has established "a reasonable likelihood" of "prevail[ing] with respect to at least 1 of the claims" it challenges. By its plain terms, however, Section 314(d) precludes appeal of *all* "determination[s] by the [PTO] whether to institute an inter partes review under this section." Nothing in Section 314(d) suggests that the applicability of that barrier to review depends on the gravamen of the appellant's legal challenge.

Petitioner's alternative argument would yield the unlikely result that, for the first time under any iteration of the Patent Act, some PTO decisions *not* to institute post-issuance review would be appealable to a court. Under petitioner's approach, the PTO's refusal to institute a proceeding would be appealable to the Federal Circuit if it was based on any rationale other than the failure of the party seeking review to establish a "reasonable likelihood" of prevailing. Many other potential grounds exist. See, *e.g.*, 35 U.S.C. 312 (requiring a petition to institute review to include certain information and to be accompanied by

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"whether" to institute a post-issuance proceeding, the Federal Circuit refused to hear challenges to an institution decision where "there is no provision granting [this Court] direct review of that decision." *In re Hiniker Co.*, 150 F.3d 1362, 1367 (Fed. Cir. 1998) (interpreting ex-parte-reexamination procedures); see Pet. App. 8a-9a. The same is true for the Federal Circuit's jurisdiction over appeals from PTO decisions to institute *inter partes* reviews. See 35 U.S.C. 318(a), 319; *St. Jude Med., Cardiology Div., Inc.* v. *Volcano Corp.*, 749 F.3d 1373, 1375-1376 (Fed. Cir. 2014).

the requisite fee); 35 U.S.C. 315(a) (precluding institution of review if the petitioner or its real party in interest "filed a civil action challenging the validity of a claim of the patent" before filing a petition); 35 U.S.C. 315(b) (precluding institution of review if the patent owner filed a complaint for infringement against the petitioner, the petitioner's privy, or the petitioner's real party in interest more than a year before the petition is filed).[6] Such a result cannot be squared with either the statutory language or the evolution of other provisions governing post-grant administrative proceedings, which have always clearly precluded appeals from agency decisions not to revisit an issued patent. See 35 U.S.C. 303(a) and (c) ("A determination by the [PTO] * * * that no substantial new question of patentability has been raised will be final and nonappealable.").

c. The Federal Circuit's decision furthers the purposes of the AIA. By authorizing appeal only of the agency's "final written decision with respect to the

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[6] The AIA permits the PTO to deny even petitions that *satisfy* the statutory prerequisites for instituting a proceeding. Although the statute establishes various prerequisites to the PTO's institution of *inter partes* reviews, it does not require that such a review be instituted in any particular circumstance. See 35 U.S.C. 312(a), 314(a) and (d), 315(a) and (b) (specifying circumstances in which the PTO "may not" institute review, but identifying no instance in which the PTO *must* institute review). As Senator Kyl explained, that approach "reflects a legislative judgment that it is better that the [PTO] turn away some petitions that otherwise satisfy the threshold for instituting an inter partes or post-grant review than it is to allow the [PTO] to develop a backlog of instituted reviews that precludes the [PTO] from timely completing all proceedings." 157 Cong. Rec. 3430 (2011). Petitioner's interpretation of Section 314(d), however, would permit appeals of such refusals to institute *inter partes* review.

patentability" of a claim, 35 U.S.C. 318(a), 319, and precluding appeal of the agency's threshold decision to institute a proceeding, 35 U.S.C. 314(d), Congress ensured that the PTO's substantive patentability determinations would be subject to judicial scrutiny, while avoiding the waste and expense entailed in relitigating threshold questions that do not bear on the proper scope of the patentee's exclusive rights. Petitioner's reading, however, would permit appeals from agency decisions of a kind never before subject to appeal and would allow patent owners to revive unpatentable claims based solely on procedural defects in the initiation of agency review. Allowing such challenges would subvert Congress's purpose—central to the AIA—of making post-issuance proceedings before the PTO an efficient alternative for testing the patentability of issued claims.

d. Petitioner contends (Pet. 20-23) that review of this question is warranted in light of conflicting decisions within the Federal Circuit. In terms materially identical to Section 314(d), 35 U.S.C. 324(e) provides that PTO decisions to institute post-grant review or transitional post-grant review are "final and nonappealable." In *Versata Development Group, Inc.* v. *SAP America, Inc.*, 793 F.3d 1306 (2015), a divided panel of the Federal Circuit construed Section 324(e) to permit appeal of the PTO's determination that a patent included a "covered business method" within the meaning of Section 18(a)(1)(E) of the AIA. See *id.* at 1319-1323. The majority reached that conclusion despite the fact that the statute makes the existence of a "covered business method patent" relevant only to the availability of a particular form of PTO post-issuance review, not to the ultimate determination

whether the patent is valid. See AIA § 18(a)(1)(E), 125 Stat. 330 (providing that "[t]he Director may institute" a transitional post-grant review "only for a patent that is a covered business method patent").

The government believes that *Versata* was incorrectly decided, and it unsuccessfully sought rehearing en banc in that case.[7] The Federal Circuit, however, has since expressly "limited" its holding in *Versata* "to the unique circumstances of" covered-business-method-patent review, *Achates Reference Publ'g, Inc.* v. *Apple Inc.*, 803 F.3d 652, 657 (Fed. Cir. 2015), and that transitional program will expire in 2020, see AIA § 18(a)(3), 125 Stat. 330-331.

If the court of appeals expands *Versata* to PTO determinations other than whether a petition challenges a "covered business method patent," this Court's review may be appropriate to protect the integrity of AIA post-issuance-review proceedings. But there is no reason to assume that the Federal Circuit will depart from *Achates* and apply its *Versata* holding to any PTO determination other than whether a patent includes a covered business method. The question presented therefore does not warrant this Court's review at this time.

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[7] On October 15, 2015, the Federal Circuit denied the government's petition for rehearing en banc in *Versata*.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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